

## **Circular No. 7/2011-Customs**

**Government of India  
Ministry of Finance  
Department of Revenue**

New Delhi, the 18th January, 2011

**Subject: - Export of handicraft and artware items under Drawback Scheme - reg.**

I am directed to invite your attention to the Board **circular No.03/2010-Cus dated 12.02.2010** regarding classification of handicraft and artware items in the Drawback Schedule. The circular clarified that the assessing authorities should normally accept certificates issued by the Development Commissioner (Handicrafts) / EPCH certifying the goods as artware/ handicrafts. A decision to reject a certificate issued by the Development Commissioner (Handicrafts)/ EPCH should be taken only with approval of the Commissioner of Customs / Central Excise and after discussions with the certificate issuing authority. Exports should not, in the mean time, be held up. The circular also clarified that consignments of artware and handicrafts should be classified in the Drawback Schedule in accordance with condition (3) of the Drawback Schedule which provides that all artware or handicraft items shall be classified under the heading of artware or handicrafts (of constituent material) as mentioned in the relevant chapters of the Drawback Schedule irrespective of their classification under the HSN.

2. It has been reported by Moradabad Handicrafts Exporters Association and Export Promotion Council for handicrafts (EPCH) that following issue of this circular, certificate from EPCH / Development Commissioner (Handicrafts) is being asked for each and every consignment of artware and handicrafts. Consignments not having such certificates are necessarily examined. Further, at some field formations certification by EPCH / Development Commissioner (Handicrafts) on invoices is not accepted. Certification only on the body of the shipping bill is insisted citing the Board circular No. 56/99-Cus dated 26.08.1999.

3. It has also been represented that lamps/lanterns predominantly made of glass are not considered as handicrafts and exporters are not allowed to use the word 'handicraft' in the description while filing shipping bills for these items even when certificates of Development Commissioner (Handicrafts) certifying these goods as handicraft are submitted. As a result, exporters are deprived of the benefit of FPS which is available only on artware/handicrafts. Further, at some field formations, in case of artware or handicraft item made of more than one constituent material, drawback is either allowed on constituent materials separately or is allowed only on one of the constituent materials.

4. The matter has been examined. It is hereby clarified that certificate from EPCH/ Development Commissioner (Handicrafts) should not be asked for all consignments of Handicrafts/artware as a routine but only in cases of doubt. Certification of EPCH/ Development Commissioner (Handicrafts) on invoices may be accepted notwithstanding anything contained in the Board circular No. 56/99-Cus dated 26.08.1999. Certification on photographs may also be accepted and the exporter, if required, may use the certified photograph for

subsequent export consignments of that product. Further, every consignment which does not have Development Commissioner (Handicrafts)/EPCH certificate, need not be examined. The Board's circular No.6/2002-Cus dated 23.01.2002 which prescribes examination norms for exports under drawback and other EP schemes should be applied to artware/handicraft consignments also. Normally, packages/shipments selected by the EDI system for examination only should be examined unless there is some intelligence suggesting fraud/misuse. If there is a doubt on such examination about the goods being artware/handicraft, certificate from Development Commissioner (Handicrafts)/ EPCH may be asked for. As clarified by the Board vide **circular No. 3/2010-Cus** dated 12.02.2010, certificates issued by EPCH/Development Commissioner (Handicrafts) should normally be accepted and a decision to reject them should be taken only with approval of the Commissioner and after discussions with the certificate issuing authority. Exports should not, in the mean time, be held up.

5. It is also advised that as clarified by the Board vide Circular No.3/2010-Cus and as provided in condition (3) of the Drawback Schedule **Notification No.84/2010-Cus (N.T.)** dated 17.09.2010, alignment of Drawback Schedule with the customs tariff is not applicable to artware / handicraft items. If the export items such as lamps/lanterns are artware/ handicraft items, they should be classified as artware/ handicrafts in the specific headings provided for artware/handicraft items of iron, glass, brass, iron and steel etc. in various chapters of the Drawback Schedule irrespective of their classification in the Customs Tariff / HSN and irrespective of whether there are other headings, covering those products more specifically, in the Drawback Schedule elsewhere. Further, as clarified by the Board vide circular No. 3/2010-Cus dated 12.02.2010, artware or handicraft article made of more than one constituent material should be classified as if it is made of that constituent material which predominates in it by weight. Once classification of such article in a heading/sub- heading of the drawback schedule has been determined, then the drawback rate and cap prescribed against that heading/sub-heading should be applied to the whole article irrespective of the value or weight of different constituents.

6. A suitable public notice for information of the Trade and Standing Order for guidance of the assessing officers and for strict adherence may be issued. Difficulties faced, if any, in implementation of the circular may please be brought to the notice of the Board at an early date.

Kindly acknowledge receipt of this circular.

**F.No. 609/119/2010-DBK**

Yours faithfully,

**(PRAMOD KUMAR)**  
**(TECHNICAL OFFICER)**